



WEEKLY REPORT

ARIZONA STATE RETIREMENT SYSTEM

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ASRS Board

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For the week ending Friday, February 14, 2003

Weekly Report is published by the Arizona State Retirement System and provides a summary of legislation that pertains to the ASRS, as well as up-to-date ASRS news. We hope you find it useful. Included is a Quick Reference summary. If there are issues you'd like addressed, please let us know.

***** Please distribute or make available this report to your employees. *****

Recent ASRS News:

The next ASRS Board meeting is scheduled for Feb. 21, 8:30 a.m., in the ASRS Phoenix office, 3300 N. Central Ave., 10th floor.

New ASRS Legislation

Legislation (**HB 2397 & SB 1296**) which would require asset managers and financial firms that invest or manage money on behalf of the state, including the ASRS, to issue bi-annual reports has been introduced. The reports would be required to include details of whether investments are made in companies with ties to federally-designated terrorist-sponsoring nations, and would require steps to be outlined by any such company to see that their technologies are not used for non-civilian purposes. Through the many fund management firms contracted by the ASRS, the ASRS has investments in thousands of companies, including General Electric, which is reported to be one of the companies that we would be required to report on. The cost of providing these bi-annual reports has yet to be determined, but preliminary guesses are around a quarter million dollars annually.

SB 1036 (2-year extension of the rural retiree health insurance supplement) was held in the Senate Finance Committee on Monday, pending additional information on the cost. It is on the Feb. 17 agenda for the Senate Finance Committee. Actuarially estimated costs for extending the rural HI supplement is: total liability of \$37.3 million paid by increasing contribution rates by 0.03% each for employers and employees for 18 years. Our rural retirees currently have a significant health insurance cost problem. We will see if the Legislature can find the money (state General Fund cost as an employer), which is \$425,000 per year for 18 years.

HB 2401 would give ASRS members a Deferred Retirement Option Plan similar to that of the Public Safety Personnel System. The significant cost expected from the introduced version of the bill will make passage of legislation doubtful this year, but there may be amendments offered that could change the expected costs.

Other legislation affecting the ASRS is listed in the attached Quick Reference.

Quick Reference
ASRS Related Retirement Legislation
(For the Period Ending Friday, February 14, 2003)

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
HB 2023 – ASRS; unpaid contributions by Huppenthal As Passed the House: Provides a member with 90 days to make payments after being notified that the employer has paid all amounts past due. If the member does not pay within 90 days, the member is responsible for accrued interest from that point on. Provides an employer with 90 days to make payments after being notified of the amount due. If the employer does not pay within 90 days, the employer is responsible for any accrued interest until the amount is paid in full. Requires an employee to provide verification of past employment and qualification for participation in ASRS. States that, beginning June 30, 2004, the employer is only responsible for making payments for any unpaid contributions and interest for service which occurred within 15 years of the date of notification. Allows a member to purchase service that was worked prior to the 15-year limit as “other public service.”	Passed House 56-0-2. Assigned: Not yet assigned. Status: Sen. First Read 02/05/03.	As Passed the House: None Expected.	As Passed the House: Actuarial letter received stating no cost.
HB 2024 – ASRS; service purchase; calculation by Huppenthal As Passed the House: Contains an emergency clause. Defines “current annual compensation” used in calculating the cost of purchasing service credit as the greater of: <ol style="list-style-type: none"> 1. The sum of the 12 months of compensation prior to the request. 2. The sum of the 36 months of compensation prior to the request, divided by three. 3. If the member has retired from an ASRS employer, the average monthly compensation used to calculate the member's last pension, times 12. 4. The annualized compensation of the full pay period prior to the request. 5. The annualized compensation of the partial year prior to the request, if the member has less than 12 months of service. 	Passed House 57-0-1. Assigned: Not yet assigned. Status: Sen. First Read 02/04/03.	As Passed the House: None Expected.	As Passed the House: Actuarial letter received stating no cost.
HB 2067 – ASRS; technical correction by Huppenthal As Introduced: Makes a technical change to 38-742 “reinstatement.”	Assigned: Hse. RULES. Status: Awaiting Hse. RULES.	As Introduced: None Expected.	As Introduced: None.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
HB 2349 (see SB 1036) – public retirees; rural areas; insurance by Konopnicki, Flake, Wagner, Arzberger, and Brown As Introduced: Extends the rural health insurance subsidy until 2005. Includes counties with a population less than 200,000 in the definition of “nonservice area.”	Assigned: Hse. HEALTH, Hse. GR, Hse. APPROP. Status: <u>Passed Hse. HEALTH DP 12-0.</u> <u>Scheduled Hse. GR 02/18/03.</u>	As Introduced: None Expected.	As Introduced: Unfunded liability of \$37.3 million, an increase in the contribution rate for all employers and employees of 0.027% each, which is a combined cost of \$3.7 million more in contributions annually for 18 years (GF cost of \$425,116 per year).
HB 2397 (see SB 1296) – public monies; investment protection by Yarbrough, Martin, Huppenthal, and 4 As Introduced: Requires asset managers and financial firms that invest or manage money on behalf of the state to make reports every July 1 and January 1 to the entity on whose behalf they are handling the money. The reports must include details of whether investment is made in companies with ties to federally designated terrorist-sponsoring countries and steps the companies take to see that their technologies are not used for non-civilian purposes.	Assigned: Hse. WM. Status: Awaiting Hse. WM.	As Introduced: Requested.	As Introduced: Requested.
HB 2398 – ASRS; long-term disability increase by Carruthers, O’Halloran, Gullett As Introduced: Provides an increase to a member’s LTD benefit equal to a benefit increase provided to a retired member of ASRS.	Assigned: Hse. GR, Hse. APPROP. Status: Awaiting Hse. GR.	As Introduced: Not requested.	As Introduced: Requested.
HB 2401 – deferred retirement option plan by Wagner, Quelland, Gray and 6 As Introduced: Provides a deferred retirement option plan option to members of the ASRS, PSPRS, and CORP.	Assigned: Hse. GR, Hse. APPROP. Status: Awaiting Hse. GR.	As Introduced: Not requested.	As Introduced: Requested.
HB 2455 – ASRS; termination option by Huppenthal As Introduced: Makes technical changes to the Modified DROP Program.	Assigned: Hse. GR, Hse. APPROP. Status: <u>Scheduled Hse. GR 02/18/03.</u>	As Introduced: None Expected.	As Introduced: None.
HCR 2002 – impeachment; public retirement systems; forfeiture by Huppenthal As Introduced: Constitutional amendment to allow the senate to require an impeached official to forfeit their public retirement benefits from the office for which they were impeached.	Assigned: Hse. GR, Hse. JUD. Status: Awaiting Hse. GR.	As Introduced: None Expected.	As Introduced: None.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
SB 1036 (see HB 2349) – public retiree health insurance subsidy by Arzberger and 23 As Introduced: Extends the rural health insurance subsidy until 2004. Includes counties with a population less than 200,000 in the definition of “nonservice area.”	Assigned: Sen. FIN. Status: HELD Sen. FIN 02/10/03. <u>Scheduled Sen. FIN 02/17/03.</u>	As Introduced: None Expected.	As Introduced: Unfunded liability of \$18.8 million (one year extension), an increase in the contribution rate for all employers and employees of 0.014% each, which is a combined cost of \$1.9 million more in contributions annually for 18 years (GF cost of \$216,569 per year).
SB 1037 – ASRS; surviving spouses; health insurance by Arzberger and 17. As Amended in Sen. FIN: Provides a retiring member who selects a joint and survivor or period certain annuity the ability to select an optional health insurance subsidy that continues to the surviving spouse after the member’s death.	Assigned: Sen. FIN. Status: <u>Passed Sen. FIN DPA 5-3-1. Awaiting Sen. RULES.</u>	As Amended: Requested.	As Amended: Requested. Awaiting official cost letter.
SB 1160 – ASRS; veterans; service credits by Arzberger As Introduced: Requires the ASRS to recalculate the cost of military service purchased by members (active, retired, or deceased) prior to July 20, 1996, and refund any amounts, plus interest. Requires the ASRS to publish a notice of possible refund in 4 quarterly newsletters and 2 annual statements. Appropriates \$50,000 to the ASRS for making the recalculations.	Assigned: Sen. FIN, Sen. APPROP. Status: Awaiting Sen. FIN.	As Introduced: Requested.	As Introduced: Unfunded liability of \$628,050, and increase in the contribution rate for all employers and employee of .00045%. However, because the contribution rate is rounded, there will be no actual contribution rate change and therefore no cost.
SB 1221 – ASRS; study committee; health costs by Arzberger, Aguirre, Brotherton As Amended in Sen. FIN: Creates a study committee on managing retiree health-care costs.	Assigned: Sen. FIN. Status: <u>Passed Sen. FIN DPA 6-0-3. Awaiting Sen. RULES.</u>	As Amended: None Expected.	As Amended: None.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
SB 1224 (see HB 2024) – ASRS; service purchase; calculation by Martin, Reagan As Amended in Sen. FIN: Defines “current annual compensation” used in calculating the cost of purchasing service credit as the greater of: <ol style="list-style-type: none"> 1. The sum of the 12 months of compensation prior to the request. 2. The sum of the 36 months of compensation prior to the request, divided by three. 3. If the member has retired from the ASRS, the average monthly compensation used to calculate the member's last pension, times 12. 4. The annualized compensation of the full pay period prior to the request. 5. The annualized compensation of the partial year prior to the request, if the member has less than 12 months of service. 	Assigned: Sen. FIN. Status: <u>Passed Sen. FIN DPA 8-0-1. Awaiting Sen. RULES.</u>	As Amended: None Expected.	As Amended: None.
SB 1225 – ASRS; investment management; requirement by Martin As Introduced: Requires the ASRS Board member who is a chartered financial analyst to be in good standing as determined by the association for investment management and research.	Assigned: Sen. FIN. Status: <u>Passed Sen. FIN DP 8-0-1. Awaiting Sen. RULES.</u>	As Introduced: None Expected.	As Introduced: None.
SB 1226 – ASRS; legal counsel by Martin As Introduced: Exempts the ASRS from obtaining legal counsel only from the Attorney General.	Assigned: Sen. JUD, Sen. FIN. Status: <u>Passed Sen. FIN DP 8-0-1. HELD Sen. JUD 02/12/03. Scheduled Sen. JUD 02/19/03.</u>	As Introduced: None Expected.	As Introduced: None.
SB 1296 (see HB 2397) – public monies; investment protection by Martin, Stump, Yarbrough As Introduced: Asset managers and financial firms that invest or manage monies on behalf of the state are required to submit semiannual reports including a list of companies that have ties to terrorist countries, steps taken by these companies to ensure that the revenues it generates are not used by any government for terrorist activities, and other anti-terrorist provisions.	Assigned: Sen. FIN. Status: <u>Scheduled Sen. FIN 02/17/03.</u>	As Introduced: Requested.	As Introduced: Requested.

LEGEND

AMEND C&P	Constitutional and Proper as Amended by the House Rules Committee	HB	House Bill
APPROP	Appropriations Committee	HCR	House Concurrent Resolution
ASRS	Arizona State Retirement System	Hse.	House of Representatives
C&P	Constitutional and Proper	JUD	Judiciary Committee
CORP	Corrections Officer Retirement Plan	LTD	Long Term Disability
COW	Committee of the Whole	PFC	Proper for Consideration
DP	Do Pass	PFCA	Proper for Consideration as Amended by the Senate Rules Committee
DPA	Do Pass as Amended	PSPRS	Public Safety Personnel Retirement System
EORP	Elected Officials' Retirement Plan	SB	Senate Bill
FIN	Finance Committee	S/E	Strike Everything Amendment
GF	General Fund	Sen.	Senate
GR	Government and Retirement Committee	WM	Ways and Means Committee

**The weekly legislative report is available on-line at the ASRS Web site:
www.asrs.state.az.us**

The ASRS External Affairs Division and the Legislative Board Committee meet during the legislative session. The meetings take place in the 14th floor conference room of the ASRS office at 3300 N. Central Ave., Phoenix, and are open to the public. The purpose of these meetings is to review legislative activity on retirement bills from the previous week, and to review the scheduled bill activity in committees and on the floor for the upcoming week. Committee members ask technical and background questions, and review the latest information gathered from the Capitol and retirement groups from around the state. Meetings are teleconferenced to the ASRS Tucson office at 7660 E. Broadway Blvd., Tucson. Meeting agendas and minutes will be posted on the ASRS website.